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Dialogue on the outcome of the International Conference on Financing for Development and of the meetings of the Development Committee and the International Monetary and Financial Committee

Note by the Secretary-General

Introduction

1. The present note provides background information and raises some questions for consideration at the 2002 special high-level meeting of the Economic and Social Council with the Bretton Woods institutions. This year's meeting provides a unique opportunity to lay down the foundation for "staying engaged", as called for in the Monterrey Consensus (A/CONF.198/3, annex) adopted at the International Conference on Financing for Development in March 2002. The meeting of the Council with the Bretton Woods institutions and the World Trade Organization, as well as other relevant stakeholders, has been assigned a specific role in the follow-up process. In addition, it provides, as in the past, an opportunity for the members of the Council to have a dialogue on the outcomes of the spring meetings of the Development Committee and International Monetary and Financial Committee.

2. This year, the Development Committee will review the outcome of Monterrey on the basis of an information note provided by the staff. In addition to its continuing agenda, the Development Committee will focus on two main themes: "Development effectiveness: partnerships and challenges of the future"; and "Education for dynamic economies: an action plan". The International Monetary and Financial Committee, apart from its review of the world economy, will focus on "The International Monetary Fund (IMF) policy agenda: surveillance and crisis prevention and resolution"; "The Fund's role in low-income countries"; and "Streamlining conditionality and enhancing ownership". The International Monetary and Financial Committee will consider the outcome of Monterrey in the context of its discussion on the Fund's role in low-income countries.

3. The mobilization of all types of resources and their more effective, efficient and equitable use for the eradication of poverty and the sustainable development of all countries were a central driving force of the Monterrey Conference. The role played by financing in removing obstacles to the development effort has been increasingly recognized. Without progress on this front, universally agreed goals in key development areas might be in jeopardy. The millennium development goals (see A/56/326, annex) have become the overarching framework within which to guide the work of the United Nations system. While the Millennium

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Summit provided the overall objectives, Monterrey has indicated the course to be followed.

I. The Monterrey process

4. The Monterrey Conference was the culmination of a process that gained momentum in 1997. From the beginning, preparations, driven by a remarkable collective effort, have seen an unprecedented involvement of all key stakeholders. Member State delegations have devoted greater attention to financing for development issues, recognizing their centrality in the global development agenda. Finance, trade, development cooperation and foreign affairs ministries have worked together effectively. The United Nations, the Bretton Woods institutions, the World Trade Organization and other international organizations mobilized to prepare the Conference and joined forces in order to make progress. Civil society and the private sector joined the discussion, sharing their own perspectives and putting forward new initiatives.

5. The Monterrey process has been a process of convergence, albeit one that is far from complete. Beyond possible differences in approaches, the overriding objective of poverty reduction is shared by all. Translating the Monterrey Consensus into actions involves a process leading to decisions at the national and international levels that requires strong political will.

6. Discussions in the Monterrey process stressed that, in addition to a considerable increase in funding, mutual commitment of developed and developing countries to a new development partnership would be necessary to achieve concrete progress in achieving the millennium goals. This new partnership would be based on shared responsibilities and complementarity of efforts. Developing countries would commit to taking primary responsibility for their own development, based on sound economic policies, good governance and respect for human rights. Developed countries would support these efforts through enhanced resource flows, further debt relief and a more development-friendly international environment. The last-mentioned entails open, rule-based, predictable and non-discriminatory trading and financial systems and the implementation of the commitments made under the Doha Development Agenda (see A/C.2/56/7), for a more equitable participation of developing countries in such systems. The Doha Development Agenda further includes reducing trade-distorting subsidies and dismantling existing barriers on competitive exports from developing countries, particularly in agriculture, textiles and clothing. Donors would also need to strengthen technical assistance and capacity-building in developing countries in areas such as institutional infrastructure, financial regulation and supervision, debt management and trade. In addition, donor and recipient countries, as well as relevant international institutions, should strive to make official development assistance (ODA) more effective, as agreed in the Monterrey Consensus (see para. 43).

7. It was further emphasized that, if this new partnership is to succeed, the coherence, governance and consistency of the international monetary, financial and trading systems need to be enhanced, and all must participate equitably in the arrangements that govern it. This would involve both giving developing countries a bigger say in global economic policy-making, and facilitating the partnership with civil society and the business sector.

8. It would also mean moving from vision to action, and closely monitoring progress towards achieving the millennium development goals, including the concept of mutual accountability and the implementation of commitments and further requirements of the key development partners.

9. In this regard, the initiatives by the European Union (EU) and the United States of America announced at the outset of the Monterrey Conference, for substantial increases in ODA, conveyed the positive signal of a reversal in the declining trend in foreign aid, which had marked the decade of the 1990s. The new commitments add an estimated extra $30 billion for development between 2003 and 2006.[1] Moreover, several European countries emphasized at the Conference that their new initiative should be seen as a first step towards achieving the target of 0.7 per cent of gross national product (GNP) for ODA, to which they remained firmly committed.

II. Coordinated efforts towards the millennium development goals

10. In September 2000, heads of State and Government had agreed at the Millennium Summit on a set of objectives known as the millennium development

goals.[2] They include halving extreme poverty and hunger, achieving substantial progress in education, health and gender equality, and ensuring environmental sustainability. They also include the goal of developing a global partnership for development, with targets for aid, trade and debt relief. This partnership was carried forward through the new commitments of Monterrey. Targets are to be achieved by 2015.

11. Evidence shows that progress in the 1990s was too slow to reach the agreed targets. In fact, progress has actually slowed down in several areas, such as primary education, child mortality and income poverty. Without vastly intensified and concerted efforts, few of the millennium development goals will be met at the global level by 2015.

12. In September 2001, the report of the Secretary-General entitled "Road map towards the implementation of the United Nations Millennium Declaration" (A/56/326) was issued. That report reviewed progress under way and proposed strategies for moving forward for each goal. The road map highlighted the vital importance of a comprehensive approach and a coordinated strategy that would tackle many problems simultaneously across a broad front. It further stressed that such a coordinated strategy would not be achieved without better coordination among international organizations and a deeper involvement of civil society, including the private sector and non-governmental organizations, in the formulation, implementation and monitoring of development programmes and activities.

13. At the same time, efforts were initiated to estimate the cost of achieving the millennium development goals. Resource implications of reaching those goals are considerable, but within reach. A High-level Panel on Financing for Development chaired by former President of Mexico Ernesto Zedillo had estimated in June 2001 that in addition to the current level of development assistance — about $50 billion per year — an estimated additional $50 billion per year would be needed (see A/55/1000). A more detailed study by the World Bank, released in March 2002, came up with similar results, calculating that extra aid of $40 billion-$70 billion would assist in fulfilling the millennium development goals. These estimates have led to strong calls for a doubling of current levels of development assistance. While budgetary realities may make it impossible to double aid overnight, a phased-in increase in aid in support of the efforts of developing countries would be quite feasible. The recent announcements of new commitments, referred to in paragraph 9 above, are encouraging, though further considerable efforts would be necessary to fill the existing resource gap.

III. Looking ahead after Monterrey

14. The outcome of the International Conference on Financing for Development, the Monterrey Consensus, encouraged "the United Nations, the World Bank, IMF, with the World Trade Organization, to address issues of coherence, coordination and cooperation, as a follow-up to the Conference, at the spring meeting between the Economic and Social Council and the Bretton Woods institutions"; and noted that "the meeting should include an intergovernmental segment to address an agenda agreed to by the participating organizations, as well as a dialogue with civil society and the private sector" (para. 69 (b)). In this regard, an essential aspect of coherence lies in ensuring that each international organization contributes to the agreed objectives within its own area of expertise and responsibility.

15. The Monterrey Consensus further noted that "interactions between representatives of the Economic and Social Council and the directors of the executive boards of the World Bank and IMF can serve as preliminary exchanges on matters related to follow-up to the Conference and preparations for the annual spring meeting between those institutions"; and that "similar interactions can also be initiated with representatives of the appropriate intergovernmental body of the World Trade Organization" (para. 69 (a)).

16. In addition to the focus on the quantum of financial resources for development, underlying the call for in the Monterrey Consensus for "staying engaged" is the need to build on the cooperation that was developed in the preparatory process and at Monterrey itself, among key stakeholders, inter alia, among the United Nations, the Bretton Woods institutions and the World Trade Organization.

17. This first special high-level meeting of the Economic and Social Council with the Bretton Woods institutions since Monterrey, which is being held shortly after the Conference, provides a valuable opportunity to continue the Monterrey process and to have a first discussion about the issues that would be

relevant for organizing the dialogue next year. Below are possible questions for consideration.

Questions

1. **How is there to develop future cooperation among the Economic and Social Council, the Development Committee, the International Monetary and Financial Committee and the appropriate intergovernmental body of the World Trade Organization in the follow-up to Monterrey?**

   Are more effective outcomes of our future spring meetings possible?

   By what means can we engage other stakeholders?

2. **How can we collectively monitor progress in the implementation of the Monterrey Consensus?**

   What benchmarks could be agreed upon on specific aspects of the Monterrey Consensus?

3. **What actions should the international community take to support the achievement of the millennium development goals, as countries carry out the national policies envisaged in the Monterrey Consensus?**

   How can multilateral organizations foster and support these national policies?

4. **Could we focus in future special high-level meetings on a number of issues that cut across the roles of our multilateral institutions and that will help promote coherence among finance, trade, and development policies and programmes?**

18. The Monterrey Consensus also called upon the high-level dialogue on strengthening international cooperation for development through partnership, held every two years in the General Assembly, to consider any financing for development-related report coming out of the Economic and Social Council, thus becoming "the intergovernmental focal point for the general follow-up to the Conference and related issues" (para. 69 (c)).

19. Finally, to maintain the political momentum reached in Monterrey, it is important to underline the continuum between Monterrey and Johannesburg. The former embodied a first crucial stepping stone in the road to a global system more conducive to the realization of the millennium development goals. The World Summit on Sustainable Development will be another key opportunity to rekindle the collective effort towards shared goals and to enhance coherence among economic, social and environmental policies.

Notes

[1] Specifically, the European Union (EU) pledged that its membe. States that had not yet reached the agreed ODA target of 0.7 per cent of GNP would commit to increasing their volumes in the next four years so that the European Union average will have reached 0.39 per cent by 2006. This would require Member States that have not reached the current average level of 0.33 per cent to have done so by that date, while the others remain at least at their current levels. The initiative represents an additional $7 billion per year by 2006, and it is estimated that the total will have reached approximately $20 billion by that date (see Council of the European Union press release: Brussels (15 March 2002)). In turn, the United States announced a New Compact for Development that would involve an estimated additional assistance of some $10 billion over three years, from 2004 to 2006. The annual increase would reach $5 billion in 2006 and remain stable thereafter. The additional funding, which requires the approval of Congress, would be conditional upon the meeting of specific targets by recipient countries in the areas of governance, market liberalization, human development and political reform.

[2] They consist of 8 goals, 18 targets and 48 indicators (see A/56/326, annex).